IN THE SENATE OF THE UNITED STATES

JULY 12, 1965

Mr. Douglas introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That this Act may be cited as the "Truth in Lending Act".

DECLARATION OF PURPOSE

Sec. 2. The Congress finds and declares that economic stabilization is threatened by the untimely use of credit for the acquisition of property and services. The untimely use of credit results frequently from a lack of awareness of the cost thereof to the user. It is the purpose of this Act to assure a full disclosure of such cost with a view to preventing
the uninformed use of credit to the detriment of the national economy.

DEFINITIONS

Sec. 3. As used in this Act, the term—

(1) “Board” means the Board of Governors of the Federal Reserve System.

(2) “Credit” means any loan, mortgage, deed of trust, advance, or discount; any conditional sales contract; any contract to sell, or sale, or contract of sale of property or services, either for present or future delivery, under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract; any contract or arrangement for the hire, bailment, or leasing of property; any option, demand, lien, pledge, or other claim against, or for the delivery of, property or money; any purchase, or other acquisition of, or any credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

(3) “Finance charge” means the sum of all the charges (including but not limited to interest, fees, service charges, and discounts) which any person to whom credit is extended incurs in connection with, and as an incident to, the extension of such credit.

(4) “Creditor” means any person engaged in the busi-
ness of extending credit (including any person who as a
regular business practice makes loans or sells or rents prop-
erty or services on a time, credit, or installment basis, either
as principal or as agent) who requires, as an incident to the
extension of credit, the payment of a finance charge.

(5) "Person" means any individual, corporation, part-
nership, association, or other organized group of persons, or
the legal successor or representative of the foregoing, and
includes the United States or any agency thereof, or any
other government, or any of its political subdivisions, or any
agency of the foregoing.

DISCLOSURE OF FINANCE CHARGES

Sec. 4. (a) Except as provided in subsection (b),
any creditor shall furnish to each person to whom credit is
extended, prior to the consummation of the transaction, a
clear statement in writing setting forth, to the extent ap-
plicable and ascertainable and in accordance with rules and
regulations prescribed by the Board, the following infor-
mation—

(1) the cash price or delivered price of the prop-
erty or service to be acquired:

(2) the amounts, if any, to be credited as down-
payment and/or trade-in:

(3) the difference between the amounts set forth
under clauses (1) and (2):
(4) the charges, individually itemized, which are paid or to be paid by such person in connection with the transaction but which are not incident to the extension of credit;

(5) the total amount to be financed;

(6) the finance charge expressed in terms of dollars and cents; and

(7) the percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the periodic unpaid balance of the obligation.

(b) Any creditor agreeing to extend credit to any person pursuant to a revolving or open-end credit plan shall, in accordance with rules and regulations prescribed by the Board and in lieu of the information described in subsection (a)—

(1) furnish to such person, prior to agreeing to extend credit under such plan, a clear statement in writing setting forth the simple annual percentage rate or rates at which a finance charge will be imposed on the monthly balance; and

(2) furnish to such person, at the end of each monthly period (which need not be a calendar month) following the entering into of any such agreement, a
clear statement in writing setting forth to the extent applicable and ascertainable—

(A) the outstanding balance in the account of such person as of the beginning of such monthly period;

(B) the amount of each extension of credit to such person (including the cash price or delivered price of any property or service acquired by such person) during such period and, unless previously furnished, the date thereof and a brief identification of any property or services so acquired;

(C) the total amount received from, or credited to the account of, such person during such period:

(D) the finance charge (in dollars and cents) required for such period;

(E) the outstanding unpaid balance in the account of such person as of the end of such monthly period; and

(F) the simple annual percentage rate or rates at which a finance charge has been imposed on the monthly balance.

As used in this subsection, the term “revolving or open-end credit plan” means a credit plan prescribing the terms of Sec. 2275—2
credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

(c) If information disclosed in accordance with this section and any regulations prescribed by the Board is subsequently rendered inaccurate as the result of a prepayment, late payment, or other adjustment in the credit agreement through mutual consent of the parties, the inaccuracy resulting therefrom shall not constitute a violation of this section.

REGULATIONS

Sec. 5. (a) The Board shall prescribe such rules and regulations as may be necessary or proper in carrying out the provisions of this Act. Such rules and regulations shall (1) include a description of (A) the methods which may be used in determining the "simple annual rate" or "simple annual percentage rate or rates" for the purpose of section 4, and (B) the size of type or lettering which shall be used in setting forth information required by such section, (2) prescribe reasonable tolerances of accuracy with respect to disclosing information under such section, and (3) require that such information be set forth in bold type and with sufficient prominence to insure that it will not be overlooked by the person to whom credit is extended. Any rule or
regulation prescribed hereunder may contain such classifications and differentiations, and may provide for such adjustments and exceptions as in the judgment of the Board are necessary or proper to effectuate the purposes of this Act or to prevent circumvention or evasion, or to facilitate the enforcement of this Act, or any rule or regulation issued thereunder. In prescribing any exceptions hereunder with respect to any particular type of credit transaction, the Board shall consider whether in such transactions compliance with the disclosure requirements of this Act is being achieved under any other Act of Congress.

(b) In the exercise of its powers under this section, the Board shall request the views of other Federal agencies exercising regulatory functions with respect to creditors, or any class of creditors, which are subject to the provisions of this Act, and such agencies shall furnish such views upon request of the Board.

(c) The Board shall establish an advisory committee, consisting of not more than nine members, to advise and consult with it in the exercise of its powers under this section. In appointing members to such committee the Board shall seek to achieve a fair representation of the interest of sellers of merchandise on credit, lenders, and the public. Such committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation ex-
penses and not to exceed $25 per diem in lieu of subsistence,
as authorized by section 5 of the Act of August 2, 1946 (5

EFFECT ON STATE LAWS

Sec. 6. (a) This Act shall not be construed to annul, or
to exempt any creditor from complying with, the laws of any
State relating to the disclosure of information in connection
with credit transactions, except to the extent that such laws
are directly inconsistent with the provisions of this Act or
regulations issued thereunder.

(b) The Board shall by regulation except from the re-
quirements of this Act any credit transactions or class of
transactions which it determines are effectively regulated
under the laws of any State so as to require the disclosure
by the creditor of the same information as is required under
section 4 of this Act.

CIVIL AND CRIMINAL PENALTIES

Civil Penalties

Sec. 7. (a) Any creditor who in connection with any
credit transaction fails to disclose to any person any informa-
tion in violation of this Act or any regulation issued there-
der shall be liable to such person in the amount of $100,
or in an amount equal to twice the finance charge required
by such creditor in connection with such transaction, which-
ever is the greater, except that such liability shall not exceed
§2,000 on any credit transaction. Action to recover such penalty may be brought by such person within one year from the date of the occurrence of the violation, in any court of competent jurisdiction. In any such action, no person shall be entitled to recover such penalty solely as the result of the erroneous computation of any percentage required by section 4(a)(7), 4(b)(1), or 4(b)(2)(F) of this Act to be disclosed to such person, if the percentage disclosed to such person pursuant to this Act was in fact greater than the percentage required by such section, or by the regulations prescribed by the Board, to be disclosed. In any action under this subsection in which any person is entitled to a recovery, the creditor shall be liable for reasonable attorneys’ fees and court costs as determined by the court. As used in this subsection, the term “court of competent jurisdiction” means either any Federal court of competent jurisdiction regardless of the amount in controversy or any State court of competent jurisdiction.

Criminal Penalties

(b) Any person who willfully violates any provision of this Act or any regulation issued thereunder shall be fined not more than $5,000 or imprisoned not more than one year, or both.

(c) Except as specified in subsection (a) of this section, nothing contained in this Act or any regulation thereunder
1 shall affect the validity or enforcibility of any contract or
2 transaction.
3 (d) No punishment or penalty provided by this Act
4 shall apply to the United States, or any agency thereof, or
5 to any State, any political subdivision thereof, or any agency
6 of any State or political subdivision.
7
8 EXCEPTIONS
9 Sec. 8. The provisions of this Act shall not apply to—
10 (1) credit transactions involving extensions of
11 credit to business firms, governments, or governmental
12 agencies or instrumentalities; or
13 (2) transactions in securities or commodities in
14 accounts by a broker-dealer registered with the Secu-
15 rities and Exchange Commission.
16
17 EFFECTIVE DATE
18 Sec. 9. The provisions of this Act shall take effect upon
19 the expiration of one hundred and eighty days after the date
20 of its enactment; except that section 5 shall take effect
21 immediately.